

Avtec to invest Rs 135 cr in capacity expansion



Mr Prabhakar Kadapa

Roudra Bhattacharya

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Auto engine and transmission component maker, Avtec Ltd, part of the \$1.8 billion C K Birla Group, plans to invest up to Rs 135 crore in the current and next fiscal to expand capacity by 35 per cent. It will also invest part of the funds in R&D and on new business.

Production

The company, which is one of the two suppliers of transmission sets for Tata Nano, said it is doubling production of the crucial component set for the small car at its Kharagpur plant to 10,000 sets a month, within the next four months.

It hopes to almost triple its own capacity by March next year to 14,000 sets a month, in tandem with Tata Motors' ramp up of Nano production to the maximum current capacity of 2.5 lakh units a year at Sanand.

Mr Prabhakar Kadapa, CEO, Avtec Ltd, told Business Line that with the auto industry showing a promising growth, component makers are rapidly increasing capacity. However, they are facing a major constraint from their own suppliers who are not able to grow as fast.

Investment

“This fiscal we're investing Rs 60 crore in expanding capacity, while we have already allocated Rs 75 crore for 2011-12. We'll finance this through internal accruals and bank loans. The biggest problem is with the Tier II manufacturers, which is leading to a 10-12 per cent lower production for us. With a quick increase in volumes, we're facing issues in both quality and consistent quality. We're trying to help these smaller players through both financial and technical support,” he said.

Mr Kadapa said that Avtec is aiming to become a Rs 1,000-crore company in two years' time, based on the current strength of its order book. In 2010-11, it is looking at a top line of Rs 600-crore.

Supplies to auto majors

Avtec, which has recently been awarded new orders for engines and axle parts from Daimler Commercial Vehicles, already supplies to General Motors, Ford, Mitsubishi-Hindustan Motors and Tata Motors' new world truck range. While the automotive business represents 55 per cent of sales, the remaining comes from clients in the construction equipment and heavy applications business like Caterpillar.